

### Cash Flow in FHA Multifamily Housing Projects (2004)

The following provides information on cash flow in HUD's multifamily housing programs. This information is relevant to public housing agencies (PHAs) in that the final rule on the Operating Fund Program (24 CFR 990) establishes certain requirements according to a project's "excess cash."

The information presented below is for fiscal years ending in calendar year 2004. There were 17,188 limited dividend, unlimited dividend, and non-profit multifamily projects that submitted Annual Financial Statements through REAC's Multifamily Financial Assessment Subsystem (FASS-MF) in 2004. For the purposes of this analysis, we excluded the following:

- 175 projects with no unit count reported,
- 1,609 projects where refinancing occurred during the reporting period (such projects will often include the repayment of the principal balance as a cash out-flow and include proceeds from the refinance mortgage as a cash in-flow), and
- 217 properties listed as management type "Other".

The cash flow for each project was determined in accordance with the following computation, which generally mirrors the computation of "cash flow" in HUD's multifamily programs.

Item	Note
Net Income Before Depreciation	Total revenue less administrative, utilities, operating and maintenance, taxes and insurance, and financial expenses. Depreciation is not included since it is a non-cash charge.
Less: Mortgage principal payments	Interest on mortgages is included under financial expenses. However, principal payments, which are not deducted to compute net income, needs to be deducted to compute cash flow.
Less: Replacement reserve deposits	Actual deposit made by the project to replacement reserve account. This is not reflected on the Profit and Loss Statement.
Less: Capital recovery principal payments	Repayments made during the year for initial funding provided by the owner.
Plus: Net escrow deposits	Represents a net source or use of cash per statement of cash flows. Certain expense items are funded through the escrow account, e.g. property taxes and insurance. Net escrow deposits account for differences between GAAP and cash flows with respect to funding of these expense items.
Plus: Reserve for replacement and/or residual receipt releases expenses on the statement of P&L	Reserves used in the current year and shown on Profit and Loss Statement.
<b>Equals: Cash Flow</b>	
Divided by: Number of units in project	Divided by number of units to calculate per unit cash flow.
Divided by: 12 months	Divided by 12 to calculate per unit per month cash flow.
<b>Equals: Cash Flow, PUM</b>	Represents cash flow per unit per month.

The results of this analysis are shown in the table below. Across all ownership types, the median cash flow was \$33.33 PUM. Unlimited dividend properties had the highest cash flow (\$45.14 PUM), followed by limited dividend properties (\$38.08 PUM), and non-profit properties (\$29.38 PUM).

Ownership Type	Total Number of Projects		Total Number of Units		Cash Flow Median PUM
Limited Dividend	2,151	14.2%	232,695	18.5%	\$ 38.08
Non-Profit	8,835	58.2%	506,008	40.2%	\$ 29.38
Unlimited Dividend	4,201	27.7%	520,188	41.3%	\$ 45.14
All Ownership Types National Totals	15,187	100.0%	1,258,891	100.0%	\$ 33.33